

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2299 - HB 2505

March 3, 2018

SUMMARY OF BILL: Requires the state insurance committee to extend eligibility to any employee of a municipal government that is located in a municipality having a population of 300,000 or more, according to the 2010 federal census or any subsequent federal census, if the employee of the municipal government completes an opt-in process as established by the state insurance committee. Authorizes the state insurance committee to determine what documentation is required to establish eligibility subject to the requirements of state and federal law.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$4,456,800

Other Fiscal Impact – Due to unknown factors, a precise fiscal impact to the City of Memphis cannot be determined with reasonable certainty. However, any such impact is considered to be permissive.

Assumptions:

- According to Census.gov, the term “municipal governments” refers to political subdivisions within which a municipal corporation has been established to provide general local government for a specific population concentration in a defined area. This definition includes all active government units officially designated as cities, boroughs (except in Alaska), towns (except in the six New England states, and in Minnesota, New York, and Wisconsin), and villages.
- Based on this definition, it is assumed that the proposed legislation will not apply to Metro Nashville.
- The proposed legislation would only impact the City of Memphis. The city has 6,010 active employees enrolled in the city insurance plan and covers 13,093 active lives.
- The active employees supplement the retiree’s insurance coverage.
- It is unknown how many individuals would choose to opt in to the state’s plan, what the amount of premium the city would pay for the enrollee, what level of coverage each individual would choose, and how the shift in coverage would impact the retirees’ coverage.

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- Based on information provided by Benefits Administration, the average state employee share for employee children, employee spouse and family coverage is estimated to be \$1,238 per month.
- Assuming at least 5 percent, or 300 enrollees from the City of Memphis, choose to shift over to the state plan, the increase in state expenditures is estimated to exceed \$4,456,800 [(\$1,238 x 300 enrollees x 12 months)].
- Pursuant to Tenn. Code Ann. § 8-27-203, from the appropriations made each year in the general appropriations act, the various departments, agencies, boards, and commissions of state government shall pay, on behalf of each participating covered individual within the respective departments, agencies, boards, and commissions, 80 percent of the cost of the coverage option for employees and employees' dependents, determined by the state insurance committee to be the basic health plan for funding purposes. In addition to this basic health plan for funding purposes, the state insurance committee may offer other plan options.
- There is no language addressing premium payments for municipalities, therefore, it unknown if the state would be authorized to seek reimbursement from the City of Memphis.
- To the extent the State of Tennessee is authorized to seek reimbursement from the City of Memphis and the City of Memphis elects to participate in the state insurance program, the proposed legislation would result in a permissive recurring increase in expenditures exceeding \$4,456,800 to the City of Memphis, and a not significant net impact on the state government.
- The extent to which such employees are currently covered under the local insurance plan, the type of plan under which such employees are covered, and the expenditures currently incurred by the City of Memphis associated with such coverage are unknown.
- Therefore, the net impact on the City of Memphis cannot be determined with reasonable certainty. However, any such impact is considered to be permissive.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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